

**ASSEMBLY BILL**

**No. 538**

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**Introduced by Assembly Member Emmerson**

February 21, 2007

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An act to amend Section 6375.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 538, as introduced, Emmerson. Sales and use taxes: exemptions: children's clothing.

The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax, including an exemption for new children's clothing, which is sold to a nonprofit organization for its distribution without charge to children.

This bill would expand this exemption to provide that any new children's furnishing that are sold to a nonprofit organization for its distribution to children, without charge, are exempt from that tax. This bill would also modify the definition of a nonprofit organization to include other tax exempt organizations, as specified.

Counties and cities are authorized to impose local sales and use taxes in conformity with state sales and use taxes. Exemptions from state sales and use taxes enacted by the Legislature are automatically incorporated into the local taxes.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 6375.5 of the Revenue and Taxation  
2 Code is amended to read:  
3 6375.5. (a) There are exempted from the taxes imposed by  
4 this part the gross receipts from the sale of, and the storage, use,  
5 or other consumption in this state of, new children's clothing which  
6 is furnishing that are sold to a nonprofit organization for its  
7 distribution without charge to elementary school children.  
8 For  
9 (b) For purposes of this section, "nonprofit organization" means  
10 an organization which meets all of the following criteria:  
11 (a)  
12 (1) Is organized and operated for charitable purposes.  
13 (b)  
14 (2) Has exempt status under Section 23701d 501(c)(3) or Section  
15 501(c)(4) of the Internal Revenue Code.  
16 (c) Is engaged in the relief of poverty and distress.  
17 (d) Distributes  
18 (3) Provides new children's clothing furnishing principally as  
19 a matter of assistance to recipients in distressed financial  
20 conditions.  
21 SEC. 2. Notwithstanding Section 2230 of the Revenue and  
22 Taxation Code, no appropriation is made by this act and the state  
23 shall not reimburse any local agency for any sales and use tax  
24 revenues lost by it under this act.  
25 SEC. 3. This act provides for a tax levy within the meaning of  
26 Article IV of the Constitution and shall go into immediate effect.

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